

FARRAGUT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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Farragut Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robert Lynn	President	2013
Tim Blank	Vice President	2015
Scott Lashier	Board Member	2013
Jenny Varellas	Board Member	2015
Monica Whitehead	Board Member	2015
School Officials		
Jay Lutt	Superintendent	2013
Pam Nebel	Board Secretary	2013
Gloria McComb	District Treasurer/ Business Manager	2013
Gruhn Law Firm	Attorney	2013

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Farragut Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut Community School District, Farragut Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Farragut Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Farragut Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014, on our consideration of Farragut Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Farragut Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,822,886 in fiscal 2012 to \$3,413,088 in fiscal 2013, while General Fund expenditures decreased from \$3,803,933 in fiscal 2012 to \$3,504,893 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from a deficit balance of \$106,119 at June 30, 2012 to a deficit balance of \$197,924 at June 30, 2013, which represents a 86.51% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local sources in fiscal 2013. The decrease in expenditures was due primarily to decreases in instruction costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Farragut Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Farragut Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Farragut Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

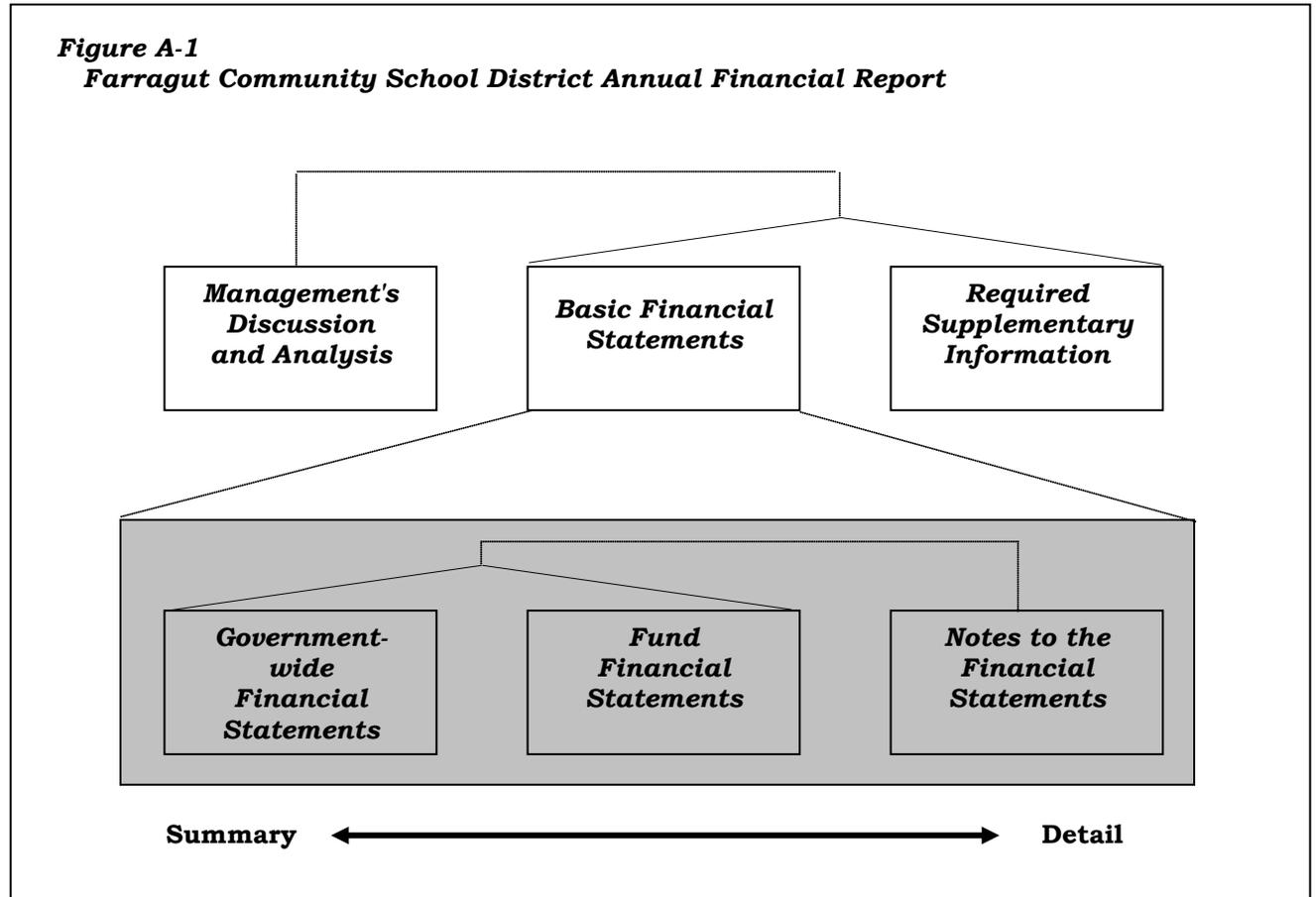


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 3,420,315	3,451,592	18,961	8,044	3,439,276	3,459,636	-0.59%
Capital assets	1,386,558	1,486,146	1,013	0	1,387,571	1,486,146	-6.63%
Total assets	4,806,873	4,937,738	19,974	8,044	4,826,847	4,945,782	-2.40%
Long-term obligations	826,021	794,499	0	0	826,021	794,499	3.97%
Other liabilities	2,497,771	2,500,761	61,949	28,766	2,559,720	2,529,527	1.19%
Total liabilities	3,323,792	3,295,260	61,949	28,766	3,385,741	3,324,026	1.86%
Net position:							
Invested in capital assets, net of related debt	691,558	751,146	1,013	0	692,571	751,146	-7.80%
Restricted	1,051,311	985,667	0	0	1,051,311	985,667	6.66%
Unrestricted	(259,788)	(94,335)	(42,988)	(20,722)	(302,776)	(115,057)	-163.15%
Total net position	\$ 1,483,081	1,642,478	(41,975)	(20,722)	1,441,106	1,621,756	-11.14%

The District's total net position decreased by 11.14%, or \$180,650, from the prior year. A significant portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 6.66%, or \$65,644, over the prior year. The increase was primarily due to the increase in the Management Levy Fund and resources restricted for Categorical funding in the General Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$187,719, or 163.15%. The decrease in unrestricted net position is primarily a result of the decrease in the unassigned General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues and transfers:							
Program revenues:							
Charges for service	\$ 867,081	1,239,142	34,782	40,478	901,863	1,279,620	-29.52%
Operating grants, contributions and restricted interest	254,267	214,092	48,142	45,936	302,409	260,028	16.30%
General revenues:							
Property tax	1,588,648	1,562,708	0	0	1,588,648	1,562,708	1.66%
Income surtax	120,253	117,735	0	0	120,253	117,735	2.14%
Statewide sales, services and use tax	191,282	165,647	0	0	191,282	165,647	15.48%
Unrestricted state grants	882,477	846,344	0	0	882,477	846,344	4.27%
Nonspecific program federal grants	0	796	0	0	0	796	-100.00%
Unrestricted investment earnings	873	1,278	6	38	879	1,316	-33.21%
Other	13,150	69,015	340	334	13,490	69,349	-80.55%
Transfers	(1,105)	0	1,105	0	0	0	0.00%
Total revenues and transfers	3,916,926	4,216,757	84,375	86,786	4,001,301	4,303,543	-7.02%
Program expenses:							
Instructional	2,571,616	2,759,160	0	0	2,571,616	2,759,160	-6.80%
Support services	1,298,794	1,077,216	312	0	1,299,106	1,077,216	20.60%
Non-instructional programs	0	0	105,316	103,531	105,316	103,531	1.72%
Other expenses	205,913	202,419	0	0	205,913	202,419	1.73%
Total expenses	4,076,323	4,038,795	105,628	103,531	4,181,951	4,142,326	0.96%
Changes in net position	(159,397)	177,962	(21,253)	(16,745)	(180,650)	161,217	-212.05%
Beginning net position	1,642,478	1,464,516	(20,722)	(3,977)	1,621,756	1,460,539	11.04%
Ending net position	\$ 1,483,081	1,642,478	(41,975)	(20,722)	1,441,106	1,621,756	-11.14%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 71.04% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.28% of the revenue from business type activities.

The District's total revenues were approximately \$4.00 million of which approximately \$3.92 million was for governmental activities and approximately \$0.08 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.02% decrease in revenues and a 0.96% increase in expenses. The most significant decrease in revenue was from charges for service which decreased \$377,757. The increase in expenses related to an increase in support services costs.

Governmental Activities

Revenues for governmental activities were \$3,916,296 and expenses were \$4,076,323.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,571,616	2,759,160	-6.80%	1,773,328	1,579,236	12.29%
Support services	1,298,794	1,077,216	20.57%	1,062,693	890,740	19.30%
Other expenses	205,913	202,419	1.73%	118,954	115,585	2.91%
Totals	<u>\$ 4,076,323</u>	<u>4,038,795</u>	<u>0.93%</u>	<u>2,954,975</u>	<u>2,585,561</u>	<u>14.29%</u>

For the year ended June 30, 2013

- The cost financed by users of the District's programs was \$867,081.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$254,267.
- The net cost of governmental activities was financed with \$1,588,648 in property tax, \$120,253 in income surtax, \$191,282 in statewide sales, services and use tax, \$882,477 in unrestricted state grants, \$873 in interest income and \$13,150 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$84,375 and expenses were \$105,628. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Farragut Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$811,062, below last year's ending fund balances of \$826,970. However, the primary reason for the decrease in combined fund balances is due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenue from local sources decreased compared to the prior year, resulting in a decrease in total revenue. Expenditures decreased compared to the prior year, primarily due to decreased spending in the instruction functional area. The net result was a decrease in fund balance from a deficit of \$106,119 at June 30, 2012 to a deficit fund balance of \$197,924 at June 30, 2013.
- The total Capital Projects Fund balance increased from \$665,770 at June 30, 2012 to \$672,347 at June 30, 2013. During the year ended June 30, 2013 the Statewide Sales, Services and Use Tax Fund balance increased from \$573,852 to \$575,845. The Physical Plant and Equipment Levy Fund balance increased during the year ended June 30, 2013 from \$91,918 to \$96,502.

Proprietary Fund Highlights

For the year ended June 30, 2013, the School Nutrition Fund experienced a decrease in revenues and an increase in expenses as compared to the year ended June 30, 2012. Overall, net position decreased from a deficit \$20,722 at June 30, 2012 to a deficit \$41,975 at June 30, 2013, representing a decrease of 102.56%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$171,566 more than budgeted revenues, a variance of 4.47%. The most significant variances resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area. The District also exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$1,387,571, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 6.63% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$150,710.

The original cost of the District's capital assets was \$4,562,234. Governmental funds account for \$4,544,665 with the remainder of \$17,569 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$71,798 at June 30, 2012 as compared to \$53,607 at June 30, 2013. This decrease is due to depreciation expense taken on the assets during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 15,020	15,020	0	0	15,020	15,020	0.00%
Land improvements	53,607	71,798	0	0	53,607	71,798	-25.34%
Buildings	1,159,439	1,233,458	0	0	1,159,439	1,233,458	-6.00%
Machinery and equipment	158,492	165,870	1,013	0	159,505	165,870	-3.84%
Total	\$ 1,386,558	1,486,146	1,013	0	1,387,571	1,486,146	-6.63%

Long-Term Debt

At June 30, 2013, the District had \$826,021 in other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had revenue bonds outstanding of \$695,000 in the governmental activities.

The District had termination benefits outstanding of \$72,813 in the governmental activities.

The District has a net OPEB liability of \$58,208 in the governmental activities.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
Revenue bonds	\$ 695,000	735,000	-5.44%
Termination benefits	72,813	16,901	330.82%
Net OPEB Liability	58,208	42,598	36.64%
Total	\$ 826,021	794,499	3.97%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Certified enrollment count continues to decline.
- The State's Allowable Growth is not enough to keep pace with increased costs. The District has offered early retirement and made reductions through attrition with little or no impact to student programs and class offerings. Continued low allowable growth may force the District to make reductions to student programs.
- The District has multiple 28E agreements with a neighboring school that could change from year to year.
- The number of students taking concurrent courses has nearly doubled. The District has benefited from the supplemental weighting (and additional funds) the courses generate.
- The federally mandated Affordable Care Act will add health care expenditures to the District that we currently do not have.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria McComb, Business Manager, Farragut Community School District, 907 Hartford Avenue, Farragut, Iowa, 51639.

FARRAGUT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 785,932	18,156	804,088
Receivables:			
Property tax:			
Delinquent	23,576	0	23,576
Succeeding year	1,960,001	0	1,960,001
Income surtax	109,532	0	109,532
Accounts	150	0	150
Inventories	0	805	805
Due from other funds	60,945	0	60,945
Due from other governments	480,179	0	480,179
Capital assets, net of accumulated depreciation	1,386,558	1,013	1,387,571
Total Assets	4,806,873	19,974	4,826,847
Liabilities			
Due to other funds	0	60,945	60,945
Accounts payable	301,172	0	301,172
Salaries and benefits payable	236,598	182	236,780
Deferred revenue:			
Succeeding year property tax	1,960,001	0	1,960,001
Unearned revenue	0	822	822
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	50,000	0	50,000
Termination benefits payable	19,783	0	19,783
Portion due after one year:			
Revenue bonds payable	645,000	0	645,000
Termination benefits payable	53,030	0	53,030
Net OPEB liability	58,208	0	58,208
Total Liabilities	3,323,792	61,949	3,385,741
Net Position			
Invested in capital assets, net of related debt	691,558	1,013	692,571
Restricted for:			
Categorical funding	113,640	0	113,640
Management levy purposes	80,657	0	80,657
Student activities	109,201	0	109,201
Debt service	75,466	0	75,466
School infrastructure	575,845	0	575,845
Physical plant and equipment	96,502	0	96,502
Unrestricted	(259,788)	(42,988)	(302,776)
Total Net Position	\$ 1,483,081	(41,975)	1,441,106

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,653,710	463,451	11,657	(1,178,602)	0	(1,178,602)
Special	362,455	81,676	10,825	(269,954)	0	(269,954)
Other	555,451	146,280	84,399	(324,772)	0	(324,772)
	<u>2,571,616</u>	<u>691,407</u>	<u>106,881</u>	<u>(1,773,328)</u>	<u>0</u>	<u>(1,773,328)</u>
Support services:						
Student	58,822	0	0	(58,822)	0	(58,822)
Instructional staff	163,146	6,590	60,427	(96,129)	0	(96,129)
Administration	512,164	148,459	0	(363,705)	0	(363,705)
Operation and maintenance of plant	346,338	20,625	0	(325,713)	0	(325,713)
Transportation	218,324	0	0	(218,324)	0	(218,324)
	<u>1,298,794</u>	<u>175,674</u>	<u>60,427</u>	<u>(1,062,693)</u>	<u>0</u>	<u>(1,062,693)</u>
Long-term debt interest	25,065	0	0	(25,065)	0	(25,065)
Other expenses:						
AEA flowthrough	86,959	0	86,959	0	0	0
Depreciation(unallocated)*	93,889	0	0	(93,889)	0	(93,889)
	<u>180,848</u>	<u>0</u>	<u>86,959</u>	<u>(93,889)</u>	<u>0</u>	<u>(93,889)</u>
Total governmental activities	4,076,323	867,081	254,267	(2,954,975)	0	(2,954,975)
Business type activities:						
Support services:						
Administration	312	0	0	0	(312)	(312)
Non-instructional programs:						
Food service operations	105,316	34,782	48,142	0	(22,392)	(22,392)
Total business type activities	<u>105,628</u>	<u>34,782</u>	<u>48,142</u>	<u>0</u>	<u>(22,704)</u>	<u>(22,704)</u>
Total	\$ <u>4,181,951</u>	<u>901,863</u>	<u>302,409</u>	<u>(2,954,975)</u>	<u>(22,704)</u>	<u>(2,977,679)</u>
General Revenues and Transfers:						
General revenues:						
Property tax for:						
General purposes				\$ 1,554,180	0	1,554,180
Capital outlay				34,468	0	34,468
Income surtax				120,253	0	120,253
Statewide sales, services and use tax				191,282	0	191,282
Unrestricted state grants				882,477	0	882,477
Unrestricted investment earnings				873	6	879
Other				13,150	340	13,490
Transfers				(1,105)	1,105	0
Total general revenues and transfers				<u>2,795,578</u>	<u>1,451</u>	<u>2,797,029</u>
Changes in net position				(159,397)	(21,253)	(180,650)
Net position beginning of year				1,642,478	(20,722)	1,621,756
Net position end of year				<u>\$ 1,483,081</u>	<u>(41,975)</u>	<u>1,441,106</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 0	447,485	335,377	782,862
Receivables:				
Property tax:				
Delinquent	20,958	506	2,112	23,576
Succeeding year	1,922,644	37,357	0	1,960,001
Income surtax	109,532	0	0	109,532
Accounts	150	0	0	150
Due from other funds	60,945	187,919	0	248,864
Due from other governments	443,742	36,437	0	480,179
TOTAL ASSETS	\$ 2,557,971	709,704	337,489	3,605,164
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 187,919	0	0	187,919
Accounts payable	299,202	0	850	300,052
Salaries and benefits payable	236,598	0	0	236,598
Deferred revenue:				
Succeeding year property tax	1,922,644	37,357	0	1,960,001
Income surtax	109,532	0	0	109,532
Total liabilities	2,755,895	37,357	850	2,794,102
Fund balances:				
Restricted for:				
Categorical funding	113,640	0	0	113,640
Management levy purposes	0	0	153,470	153,470
Student activities	0	0	109,201	109,201
Debt service	0	0	75,466	75,466
School infrastructure	0	575,845	0	575,845
Physical plant and equipment	0	96,502	0	96,502
Unassigned:				
General	(311,564)	0	0	(311,564)
Student activities	0	0	(1,498)	(1,498)
Total fund balances	(197,924)	672,347	336,639	811,062
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,557,971	709,704	337,489	3,605,164

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	811,062
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**Amounts reported for governmental activities in the
 Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,386,558
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Blending of the Internal Service Fund to be reflected on an entity-wide basis.		1,950
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Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		109,532
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Long-term liabilities, including revenue bonds payable, other postemployment benefits payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(826,021)
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Net position of governmental activities(page 18)	\$	1,483,081
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SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,542,185	225,750	144,026	1,911,961
Tuition	420,652	0	0	420,652
Other	315,013	599	146,496	462,108
Intermediate sources	2,108	0	0	2,108
State sources	1,017,911	0	0	1,017,911
Federal sources	115,069	0	0	115,069
TOTAL REVENUES	3,412,938	226,349	290,522	3,929,809
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,583,619	2,586	2,639	1,588,844
Special	361,555	0	0	361,555
Other	405,184	0	159,987	565,171
	2,350,358	2,586	162,626	2,515,570
Support services:				
Student	58,822	0	0	58,822
Instructional staff	108,771	44,088	0	152,859
Administration	483,060	19,689	20,518	523,267
Operation and maintenance of plant	239,074	0	28,873	267,947
Transportation	177,849	18,376	7,595	203,820
	1,067,576	82,153	56,986	1,206,715
Capital outlay	0	71,558	0	71,558
Long-term debt:				
Principal	0	0	40,000	40,000
Interest and fiscal charges	0	0	25,065	25,065
	0	0	65,065	65,065
Other expenditures:				
AEA flowthrough	86,959	0	0	86,959
TOTAL EXPENDITURES	3,504,893	156,297	284,677	3,945,867
Excess(Deficiency) of revenues over(under)expenditures	(91,955)	70,052	5,845	(16,058)
Other financing sources(uses):				
Transfer in	0	0	63,475	63,475
Transfer out	0	(63,475)	0	(63,475)
Sale of material and equipment	150	0	0	150
Total other financing sources(uses)	150	(63,475)	63,475	150
Change in fund balances	(91,805)	6,577	69,320	(15,908)
Fund balances beginning of year	(106,119)	665,770	267,319	826,970
Fund balances end of year	\$ (197,924)	672,347	336,639	811,062

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (15,908)

**Amounts reported for governmental activities in the
 Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 51,030	
Depreciation expense	(150,618)	(99,588)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (601)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 40,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (11,778)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Termination benefits	(55,912)	
Other postemployment benefits	(15,610)	(71,522)

Changes in net position of governmental activities(page 19) \$ (159,397)

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 18,156	3,070
Inventories	805	0
Total current assets	<u>18,961</u>	<u>3,070</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,013	0
TOTAL ASSETS	<u>19,974</u>	<u>3,070</u>
LIABILITIES		
Current liabilities:		
Due to other funds	60,945	0
Accounts payable	0	1,120
Salaries and benefits payable	182	0
Unearned revenue	822	0
TOTAL LIABILITIES	<u>61,949</u>	<u>1,120</u>
NET POSITION		
Invested in capital assets	1,013	0
Unrestricted	(42,988)	1,950
TOTAL NET POSITION	<u>\$ (41,975)</u>	<u>1,950</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for service	\$ 34,782	0
Miscellaneous	340	14,718
TOTAL OPERATING REVENUES	<u>35,122</u>	<u>14,718</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	0	15,322
Supplies	312	0
	<u>312</u>	<u>15,322</u>
Non-instructional programs:		
Food service operations:		
Salaries	52,326	0
Benefits	8,506	0
Services	437	0
Supplies	43,845	0
Depreciation	92	0
Other	110	0
	<u>105,316</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>105,628</u>	<u>15,322</u>
OPERATING LOSS	<u>(70,506)</u>	<u>(604)</u>
NON-OPERATING REVENUES:		
State sources	836	0
Federal sources	47,306	0
Interest income	6	3
TOTAL NON-OPERATING REVENUES	<u>48,148</u>	<u>3</u>
Change in net position before other financing sources	(22,358)	(601)
Other financing sources:		
Capital contributions	<u>1,105</u>	<u>0</u>
Change in net position	(21,253)	(601)
Net position beginning of year	<u>(20,722)</u>	<u>2,551</u>
Net position end of year	<u>\$ (41,975)</u>	<u>1,950</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 34,608	0
Cash received from miscellaneous operating activities	340	14,718
Cash payments to employees for services	(60,650)	(15,322)
Cash payments to suppliers for goods or services	(38,093)	1,120
Net cash provided by(used in) operating activities	<u>(63,795)</u>	<u>516</u>
Cash flows from non-capital financing activities:		
Borrowings from General Fund	33,175	0
State grants received	836	0
Federal grants received	42,949	0
Net cash provided by non-capital financing activities	<u>76,960</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	6	3
Net increase in cash and cash equivalents	13,171	519
Cash and cash equivalents beginning of year	4,985	2,551
Cash and cash equivalents end of year	<u>\$ 18,156</u>	<u>3,070</u>
Reconciliation of operating loss to net cash provided by(used in) operating activities:		
Operating loss	\$ (70,506)	(604)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:		
Commodities consumed	4,357	0
Depreciation	92	0
Decrease in inventories	2,254	0
Increase in salaries and benefits payable	182	0
Increase in accounts payable	0	1,120
Decrease in unearned revenue	(174)	0
Net cash provided by(used in) operating activities	<u>\$ (63,795)</u>	<u>516</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received \$4,357 of federal commodities.

During the year ended June 30, 2013, the Nutrition Fund received contributed capital of \$1,105 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 33,058
LIABILITIES	0
NET POSITION	
Restricted for scholarships	\$ 33,058

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 248
Contributions	1,673
Total additions	1,921
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	1,550
Change in net position	371
Net position beginning of year	32,687
Net position end of year	\$ 33,058

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

The Farragut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Farragut, Iowa, and the agricultural area in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Farragut Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Farragut Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fremont County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports two non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures in the instruction functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized balance.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$66,014 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Nutrition	\$ 60,945
Capital Projects:		
Statewide Sales, Services, and Use Tax	General Fund	187,919
Total		<u>\$ 248,864</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits of the current year and prior years that have not been repaid.

The General Fund is repaying the Capital Projects: Statewide Sales, Services, and Use Tax Fund for funds borrowed to repay ISCAP and a short term loan.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 63,475</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's Revenue Bonds.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The series 2012-2013 ONE included taxable warrants only. The interest rates on the Series 2012-2013 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was 0.1932%. A summary of the District's ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	\$ 0	400,000	400,000	0

During the year ended June 30, 2013, the District paid \$2,039 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 16,464	1,105	0	17,569
Less accumulated depreciation	16,464	92	0	16,556
Business type activities capital assets, net	\$ 0	1,013	0	1,013

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,020	0	0	15,020
Total capital assets not being depreciated	<u>15,020</u>	<u>0</u>	<u>0</u>	<u>15,020</u>
Capital assets being depreciated:				
Buildings	2,665,054	0	0	2,665,054
Land improvements	363,818	0	0	363,818
Machinery and equipment	1,449,743	51,030	0	1,500,773
Total capital assets being depreciated	<u>4,478,615</u>	<u>51,030</u>	<u>0</u>	<u>4,529,645</u>
Less accumulated depreciation for:				
Buildings	1,431,596	74,019	0	1,505,615
Land improvements	292,020	18,191	0	310,211
Machinery and equipment	1,283,873	58,408	0	1,342,281
Total accumulated depreciation	<u>3,007,489</u>	<u>150,618</u>	<u>0</u>	<u>3,158,107</u>
Total capital assets being depreciated, net	<u>1,471,126</u>	<u>(99,588)</u>	<u>0</u>	<u>1,371,538</u>
Governmental activities capital assets, net	<u>\$ 1,486,146</u>	<u>(99,588)</u>	<u>0</u>	<u>1,386,558</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,220
Other	4,752
Support services:	
Instructional staff	13,471
Administration	5,150
Operation and maintenance of plant	7,642
Transportation	24,494
	<u>56,729</u>
Unallocated depreciation	<u>93,889</u>
Total governmental activities depreciation expense	<u>\$ 150,618</u>
Business type activities:	
Food service operations	<u>\$ 92</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 735,000	0	40,000	695,000	50,000
Termination benefits	16,901	64,362	8,450	72,813	19,783
Net OPEB Liability	42,598	15,610	0	58,208	0
Total	\$ 794,499	79,972	48,450	826,021	69,783

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2011				
	Interest Rates	Principal	Interest	Total	
2014	2.00	% \$ 50,000	21,925	71,925	
2015	2.50	55,000	20,925	75,925	
2016	2.50	55,000	19,550	74,550	
2017	3.00	60,000	18,175	78,175	
2018	3.00	60,000	16,375	76,375	
2019-2023	3.25-3.75	340,000	51,088	391,088	
2024	3.75	75,000	2,812	77,812	
Total		\$ 695,000	150,850	845,850	

The District has pledged future statewide sales, services and use tax revenues to repay the \$770,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the HVAC work being done in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the district and are payable through 2024. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 38% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$845,850. For the current year principal of \$40,000 and interest of \$22,725 was paid on the bonds and total statewide sales, services and use tax revenues were \$191,282.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Termination Benefits

The District offered a voluntary early retirement plan to its full-time licensed non-administrator employees during fiscal year 2013. Eligible employees must be at least age fifty-five years old and have served as a public school employee for the Farragut Community School District for fourteen years. Eligible employees were required to submit an application to the District Administrative Office before April 15th, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits included a cash benefit equal to 50% of the employee's 2012-2013 contracted base salary. The retiring employee also received \$75 for each unused sick leave days up to a maximum of 150 days, which shall be held by the District to pay health insurance premiums on the retiree until the amount is exhausted or the age of 65.

At June 30, 2013, the District had a total liability of \$72,813. Of that amount \$8,451 was remaining for one fiscal year 2011 retiree and \$64,362 was for two fiscal 2013 early retirees. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$8,450.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$146,890, \$118,540 and \$117,045 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 24 active and 2 retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 20,003
Interest on net OPEB obligation	1,065
Adjustment to annual required contribution	(2,831)
Annual OPEB cost	<u>18,237</u>
Amortization of unfunded actuarial accrued liability	(2,627)
Increase in net OPEB obligation	<u>15,610</u>
Net OPEB obligation - beginning of year	<u>42,598</u>
 Net OPEB obligation - end of year	 <u><u>\$ 58,208</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2013.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 15,630	9.25%	\$ 25,780
2012	\$ 16,818	0.00%	\$ 42,598
2013	\$ 18,237	14.40%	\$ 58,208

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$147,964, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$147,964. The covered payroll (annual payroll of active employees covered by the plan) was \$1,226,792, and the ratio of the UAAL to the covered payroll was 12.06%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section

following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2013 were \$262,527.

The District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$86,959 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2013 are comprised of the following projects:

Project	Amount
Limited english proficiency	\$ 1,288
Iowa early intervention block grant	1,876
Beginning administrator mentoring	1,500
Core curriculum	4,918
Teacher salary supplement	13,513
Professional development	4,204
State decategorization grant	2,185
Returning dropouts and dropout prevention programs	84,156
Total	<u>\$ 113,640</u>

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2013, the District exceeded its budget amount in the instruction functional area. The District also exceeded its General Fund unspent authorized budget.

(14) Deficit Net Position/Fund Balance

At June 30, 2013, the Nutrition Fund had deficit unrestricted net position of \$42,988 and deficit total net position of \$41,975. The District also had a deficit unrestricted net position balance in the governmental activities of \$259,788 and a deficit unassigned General Fund balance of \$311,564. The District has one account in the Student Activity Fund with a deficit balance of \$1,498.

(15) Construction Commitments

At June 30, 2013, the District entered into contracts totaling \$214,173 for improvements to the HVAC system of the gymnasium and improvements to the upper level bleachers. At June 30, 2013, no expense had been incurred against the contracts. The contracts will be paid on as work progresses with the additions being capitalized as part of the District's capital asset listing upon completion.

REQUIRED SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,794,721	35,128	2,829,849	2,425,430	2,425,430	404,419
Intermediate sources	2,108	0	2,108	2,400	2,400	(292)
State sources	1,017,911	836	1,018,747	1,196,104	1,196,104	(177,357)
Federal sources	115,069	47,306	162,375	217,579	217,579	(55,204)
Total revenues	<u>3,929,809</u>	<u>83,270</u>	<u>4,013,079</u>	<u>3,841,513</u>	<u>3,841,513</u>	<u>171,566</u>
Expenditures/Expenses:						
Instruction	2,515,570	0	2,515,570	2,315,000	2,315,000	(200,570)
Support services	1,206,715	312	1,207,027	1,323,000	1,323,000	115,973
Non-instructional programs	0	105,316	105,316	124,000	124,000	18,684
Other expenditures	223,582	0	223,582	353,378	353,378	129,796
Total expenditures/expenses	<u>3,945,867</u>	<u>105,628</u>	<u>4,051,495</u>	<u>4,115,378</u>	<u>4,115,378</u>	<u>63,883</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(16,058)	(22,358)	(38,416)	(273,865)	(273,865)	235,449
Other financing sources, net	150	1,105	1,255	0	0	1,255
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(15,908)	(21,253)	(37,161)	(273,865)	(273,865)	236,704
Balances beginning of year	826,970	(20,722)	806,248	528,974	528,974	277,274
Balances end of year	<u>\$ 811,062</u>	<u>(41,975)</u>	<u>769,087</u>	<u>255,109</u>	<u>255,109</u>	<u>513,978</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the instruction functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 139,709	\$ 139,709	0.0%	\$ 1,611,000	8.67%
2011	July 1, 2009	\$ -	\$ 137,329	\$ 137,329	0.0%	\$ 1,372,311	10.01%
2012	July 1, 2009	\$ -	\$ 137,329	\$ 137,329	0.0%	\$ 1,301,630	10.55%
2013	July 1, 2012	\$ -	\$ 147,964	\$ 147,964	0.0%	\$ 1,226,792	12.06%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 151,358	107,703	259,061	76,316	335,377
Receivables:					
Property tax					
Delinquent	2,112	0	2,112	0	2,112
TOTAL ASSETS	\$ 153,470	107,703	261,173	76,316	337,489
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 0	0	0	850	850
Fund balances:					
Restricted for:					
Management levy purposes	153,470	0	153,470	0	153,470
Student activities	0	109,201	109,201	0	109,201
Debt service	0	0	0	75,466	75,466
Unassigned	0	(1,498)	(1,498)	0	(1,498)
Total fund balances	153,470	107,703	261,173	75,466	336,639
TOTAL LIABILITIES AND FUND BALANCES	\$ 153,470	107,703	261,173	76,316	337,489

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 144,026	0	144,026	0	144,026
Other	177	146,280	146,457	39	146,496
TOTAL REVENUES	144,203	146,280	290,483	39	290,522
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,639	0	2,639	0	2,639
Other	0	159,987	159,987	0	159,987
Support services:					
Administration	20,518	0	20,518	0	20,518
Operation and maintenance of plant	28,873	0	28,873	0	28,873
Transportation	7,595	0	7,595	0	7,595
Long-term debt:					
Principal	0	0	0	40,000	40,000
Interest and fiscal charges	0	0	0	25,065	25,065
TOTAL EXPENDITURES	59,625	159,987	219,612	65,065	284,677
Excess(Deficiency) of revenues over(under) expenditures	84,578	(13,707)	70,871	(65,026)	5,845
Other financing sources:					
Transfer in	0	0	0	63,475	63,475
Change in fund balances	84,578	(13,707)	70,871	(1,551)	69,320
Fund balances beginning of year	68,892	121,410	190,302	77,017	267,319
Fund balances end of year	\$ 153,470	107,703	261,173	75,466	336,639

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 351,489	95,996	447,485
Receivables:			
Property tax			
Delinquent	0	506	506
Succeeding year	0	37,357	37,357
Due from other funds	187,919	0	187,919
Due from other governments	36,437	0	36,437
TOTAL ASSETS	\$ 575,845	133,859	709,704
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	37,357	37,357
Fund balances:			
Restricted for:			
School infrastructure	575,845	0	575,845
Physical plant and equipment	0	96,502	96,502
Total fund balances	575,845	96,502	672,347
TOTAL LIABILITIES AND FUND BALANCES	\$ 575,845	133,859	709,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 191,282	34,468	225,750
Other	491	108	599
TOTAL REVENUES	<u>191,773</u>	<u>34,576</u>	<u>226,349</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	0	2,586	2,586
Support services:			
Instructional staff	26,233	17,855	44,088
Administration	19,689	0	19,689
Transportation	9,632	8,744	18,376
Capital outlay	70,751	807	71,558
TOTAL EXPENDITURES	<u>126,305</u>	<u>29,992</u>	<u>156,297</u>
Excess of revenues over expenditures	65,468	4,584	70,052
Other financing uses:			
Transfer out	(63,475)	0	(63,475)
Change in fund balances	1,993	4,584	6,577
Fund balances beginning of year	<u>573,852</u>	<u>91,918</u>	<u>665,770</u>
Fund balances end of year	<u>\$ 575,845</u>	<u>96,502</u>	<u>672,347</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ 9,197	36,381	34,121	11,457
Track	0	12	0	12
Pep Club	6,990	9,145	12,682	3,453
Cheerleaders	1,056	0	0	1,056
HS Cheerleaders	0	2,536	0	2,536
Danz Team	0	939	0	939
Drama	6,089	0	783	5,306
French	10,830	2,895	13,708	17
FFA	2,878	11,953	10,998	3,833
FCCLA	1,947	1,894	1,708	2,133
Yearbook	1,831	6,170	7,431	570
Miscellaneous Activities	523	1,254	430	1,347
Vocal Music	2,780	2,572	3,471	1,881
Resale	21,131	6,481	10,049	17,563
Art Resale	820	9,125	9,363	582
Student Council	414	0	0	414
Concessions	0	21,234	20,927	307
Instrumental Music	3	8,204	8,122	85
Tournament Fund	7,925	7,993	6,884	9,034
Vending	4,812	509	0	5,321
Pictures	1,584	0	500	1,084
Class of 2012	2,229	0	2,229	0
Class of 2013	4,802	7,754	10,029	2,527
Class of 2014	1,325	5,028	2,775	3,578
Class of 2015	3,276	1,456	356	4,376
Class of 2016	0	2,319	1,509	810
Investments	26,912	38	115	26,835
Get Well/Memorial Donations	0	52	1,550	(1,498)
Honor Society	2,046	336	247	2,135
CPR	10	0	0	10
Total	\$ 121,410	146,280	159,987	107,703

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

		Private Purpose Trust - Scholarship Fund										
		Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Miscellaneous	Total
ASSETS												
Cash and pooled investments	\$	2,648	20,551	2,122	202	2,631	25	2,500	500	1,179	700	33,058
LIABILITIES												
		0	0	0	0	0	0	0	0	0	0	0
NET POSITION												
Restricted for scholarships	\$	2,648	20,551	2,122	202	2,631	25	2,500	500	1,179	700	33,058

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund										
	Helen	Harold	W.F. & Lucile	Bruce	Clark -	Class		Elizabeth			
	Limbacher	Penwell	Dreyer	Gruber	Campbell	of 48	Scott	Richards	O'Brien	Miscellaneous	
	Memorial	Memorial	Memorial	Memorial	Memorial	Scholarship	Memorial	Memorial	Memorial	Total	
ADDITIONS:											
Local sources:											
Interest	\$ 6	47	7	0	7	0	0	0	4	177	248
Contributions	150	0	0	0	0	0	1,000	0	0	523	1,673
TOTAL ADDITIONS	156	47	7	0	7	0	1,000	0	4	700	1,921
DEDUCTIONS:											
Instruction:											
Regular:											
Scholarships awarded	200	300	50	0	0	0	1,000	0	0	0	1,550
Change in net position	(44)	(253)	(43)	0	7	0	0	0	4	700	371
Net position beginning of year	2,692	20,804	2,165	202	2,624	25	2,500	500	1,175	0	32,687
Net position end of year	\$ 2,648	20,551	2,122	202	2,631	25	2,500	500	1,179	700	33,058

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,911,961	1,849,665	1,595,369	1,504,397	1,483,012	1,270,110	1,158,628	1,157,033	1,170,737	1,305,766
Tuition	420,652	515,338	144,609	294,016	236,566	236,834	152,738	147,971	132,128	123,960
Other	462,108	796,975	337,143	161,352	172,695	171,622	186,833	187,644	166,577	166,260
Intermediate sources	2,108	600	0	0	0	0	0	0	0	0
State sources	1,017,911	966,492	1,146,805	1,044,757	1,171,283	1,371,746	1,329,290	1,212,495	1,106,808	999,729
Federal sources	115,069	91,262	166,510	286,231	62,135	113,815	118,282	172,347	145,366	109,835
Total	\$ 3,929,809	4,220,332	3,390,436	3,290,753	3,125,691	3,164,127	2,945,771	2,877,490	2,721,616	2,705,550
Expenditures:										
Instruction	\$ 2,515,570	2,739,882	2,076,103	2,064,542	1,899,115	1,973,650	1,854,019	1,752,966	1,728,973	1,693,963
Support services:										
Student	58,822	61,614	56,234	64,406	50,376	41,456	45,467	42,975	43,245	18,856
Instructional staff	152,859	117,017	116,665	126,603	84,670	83,512	82,493	95,038	101,722	77,121
Administration	523,267	603,111	654,177	524,899	460,691	435,581	465,806	443,897	384,918	376,357
Operation and maintenance of plant	267,947	234,696	228,559	245,558	221,408	248,816	239,083	321,961	259,290	245,947
Transportation	203,820	205,422	159,752	179,431	133,534	127,690	186,688	172,451	212,024	101,714
Capital outlay	71,558	378,741	330,696	35,123	43,458	202,662	111,370	53,506	57,576	121,788
Long-term debt:										
Principal	40,000	35,000	0	0	0	80,000	75,000	75,000	70,000	65,000
Interest and fiscal charges	25,065	23,075	0	0	0	2,920	3,989	6,932	9,683	11,238
Other expenditures:										
AEA flow-through	86,959	86,834	101,997	102,458	94,294	92,952	91,571	88,117	86,793	87,703
Total	\$ 3,945,867	4,485,392	3,724,183	3,343,020	2,987,546	3,289,239	3,155,486	3,052,843	2,954,224	2,799,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Farragut Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Farragut Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Farragut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Farragut Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 through I-C-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-D-13 through I-G-13 to be significant deficiencies.

Members American Institute & Iowa Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Farragut Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Farragut Community School District's Responses to Findings

Farragut Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Farragut Community School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Farragut Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted individuals performing incompatible duties in the following areas.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Transfers - preparing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Cash is handled by no less than four individuals with receipts given to all that handled the cash. Receipts are given by all that receive cash. Disbursements are approved by administration input in system by another, inspected by another, checks written by a third party. We have done the best we can with the staff we have.

Conclusion - Response accepted.

I-B-13 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing.

Necessary adjustments to be made for payment on long term debt and prior year payables were not made causing misstatements in the amount of expense recognized. Combining entries from subsidiary records were made to incorrect funds. Bank reconciliations were not being completed timely by District staff for the Nutrition Fund.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments proposed by the Auditor for the financial statements may indicate that the District needs to evaluate its procedures for converting financial records to GAAP at year end.

Response - The District will evaluate procedures for converting financial records to GAAP at year end.

Conclusion - Response accepted.

- I-C-13 Subsidiary Record Keeping - We noted during our audit that the District's Student Activity Fund is currently using a "one write system" for record keeping. The system originally provided an option to write the check which had a carbon strip that would simultaneously record the check to the check register and onto a ledger card.

However, the District is currently not using the "one write system" to maximize efficiency. The District is currently writing checks, typing a check listing in the disbursement ledger and then writing the same transaction on the ledger card. The transactions are entered again since the "one write system" does not integrate into the District's Uniform Financial Accounting system.

It appeared that the District was not reconciling the Student Activity Fund subsidiary records to the District's Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund on the District's Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - The District was consolidating financial records for the Student Activity Fund to the District's Uniform Financial Accounting system. For ease of consolidation the records were being maintained in both formats to ensure proper entry.

Conclusion - Response accepted.

- I-D-13 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - Better internal control is achieved if deposits are made when receipts are collected. The District should review procedures to ensure that all the deposits are made timely.

Response - We will make every effort to get this done in a more timely manner.

Conclusion - Response accepted.

I-E-13 Nutrition Fund Invoices - We noted instances of a check being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - We will review policy and procedures with staff.

Conclusion - Response accepted.

I-F-13 Grant Coding - We noted that numerous adjustments were required at year end to code and clear expenses in various grant accounts. The reclassifying of expenses gives the appearance that the grants may not be monitored throughout the year and the District is finding already existing purchases that might qualify for the grant.

Recommendation - The District should determine who and what costs are appropriate prior to payment and operation of the grant. The individual in charge of the grants should be communicating with the accounting department and consistently monitoring financial reports to ensure that the grant is spent for appropriate items as well as in the correct time period.

Response - We will devote more time and effort to expending these funds.

Conclusion - Response accepted.

I-G-13 Timesheets - We noted that the District is not maintaining time sheets for non-certified coaches as required by the Department of Labor in regards to tracking hours worked.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District will review the need for time sheets with non-certified coaches.

Conclusion - Response accepted.

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, exceeded the budgeted amount in the instruction function. The District also exceeded its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget.

Response - The District will track the budget more closely and amend the budget as necessary. The District has contacted the SBRC and is working with them to correct the unspent authorized budget.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted that there were instances of reimbursements made to employees and board members for meals while traveling which lacked a detailed receipt. According to board policy #401.10, employees and officers using a credit card must submit a detailed receipt in addition to a credit card receipt when requesting reimbursement.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We have informed staff of the need for documentation.

Conclusion - Response accepted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board Meeting as required by 279.35 of the Code of Iowa.

Response - We have had problems with the paper we were using not publishing in a timely manner. We have changed publications.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 6.00 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-13 Supplementary Weighting - We noted the supplementary weighting data certified to the Department of Education was overstated by 0.04.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services, and Use Tax - No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	573,852
Sales tax revenue	\$	191,282	
Other local revenue		491	191,773
			<u>765,625</u>
Expenditures/Transfers out:			
School infrastructure:	\$	64,310	
Equipment		59,878	
Other improvements		2,117	
Transfers to Other Funds:			
Debt service fund		63,475	189,780
			<u>189,780</u>
Ending balance		\$	<u>575,845</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity fund officiating contracts. Per Chapter 291.1 of the Code of Iowa the Board President should be signing all contracts entered into by the District.

Recommendation - The District should evaluate procedures to ensure compliance with Chapter 291.1 of the Code of Iowa.

Response - This will be corrected.

Conclusion - Response accepted.

II-N-13 Financial Condition - We noted at June 30, 2013, the Nutrition Fund had deficit unrestricted net position of \$42,988. The District had deficit unrestricted net position of \$259,788 in the governmental activities. The District had a deficit unassigned General Fund balance of \$311,564. The District had one account in the Student Activity Fund with a deficit balance of \$1,498.

Recommendation - The District should investigate alternatives to eliminate the deficit balances.

Response - This is a work in progress and will be corrected.

Conclusion - Response accepted.

II-O-13 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2013, the District has a loan between the General Fund and Nutrition Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - We are making every effort to correct this loan.

Conclusion - Response accepted.

II-P-13 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - It is now going to the correct fund.

Conclusion - Response accepted.